

CASE STUDY

ST. MATTHEW MANOR

\$5,089,900 | August 2015 | West Philadelphia, PA



FINANCED RIGHT®

SIMS MORTGAGE FUNDING PRESERVES AFFORDABLE, ELDERLY HOUSING IN PENNSYLVANIA.

BACKGROUND

Sims Mortgage Funding, Inc. (SMF) closed in August a \$5,089,900 HUD-insured loan for St. Matthew Manor, a 58-unit, Section 202 elderly housing property located in West Philadelphia, PA.

CHALLENGE

St. Matthew Manor is sponsored by the St. Matthew African Methodist Episcopal (AME) Church, a not-for-profit organization with ties to the local community that is over 100 years old. The primary source of income for the Project, which was constructed in the early 1990s, is a Section 8 Housing Assistance Payment (HAP) Contract that had a remaining term of approximately 17 years. The Section 8 subsidy is sufficient to fund operations, but the Project has growing capital needs, especially for energy efficiency improvements, that could not be financed from operations and current reserves. Moreover, the Sponsor also was looking for sources of funding for its community-based and mission-driven programs.

To meet the Sponsor's financing objectives, the new loan had to satisfy three criteria: (1) ensure that affordable housing units would be preserved and funded on a long-term basis; (2) finance a series of improvements to the property that would enhance resident comfort and provide a more energy-efficient operation; and, (3) provide a source of capital that would assist them with their community outreach and mission.

SOLUTION

Sims enabled the Sponsor to meet its objectives by originating and underwriting a \$5,089,900 loan insured under the Section 223(f) program that was approved by HUD under the Multifamily Accelerated Processing (MAP) program in 51 days. Closing occurred 78 days later.

RESULTS

Approximately \$829,000 in loan proceeds was escrowed for capital repairs; \$380,000 funded an initial deposit to a reserve fund for replacements; and, \$360,000 in a Developer Fee was distributed to the Sponsor at closing. In addition, the Sponsor may receive an additional \$320,000 in Developer Fee if the energy-related improvements scheduled to be installed produce a specific level of efficiency and tenant satisfaction.

The new loan reduced the Sponsor's interest rate by approximately 60% and will amortize over a 35 year period. Concurrent with the closing of the loan, HUD awarded the Project a 20 year renewal of its Section 8 HAP Contract; when the remaining term of the prior contract is added, the Project will have Section 8 funding in place for approximately 37 years.

As a result of the recapitalization, the Sponsor will continue to provide affordable housing to low and moderate income elderly in West Philadelphia for years to come.



**For more detailed information
on how St. Matthew Manor was
Financed Right® by HJ Sims
and Sims Mortgage Funding,
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